

**NORTH MAHASKA COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2010**



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**North Mahaska Community School District  
Board of Education and School District Officials  
Year ended June 30, 2010**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
(Before September, 2009 Election)		
Jimmah White	President	2011
Mike Bair	Vice President	2009
Dan Gruber	Board Member	2009
Tina Layman	Board Member	2011
Dirk Wilkin	Board Member	2011

(After September, 2009 Election)

Jimmah White	President	2011 *
Dan Gruber	President/Vice President	2013 **
Dirk Wilkin	Vice President	2011 ***
Jeani Phillips	Board Member	2013
Marvin Knoot	Board Member	2011 ****
Tina Layman	Board Member	2011

**School District Officials**

Randy Moffit	Superintendent	2010
Gloria Bartlett	District Secretary/Treasurer	2010
Ron Peeler	Attorney	Indefinite

\* Resigned from board effective May 1, 2010.

\*\* Elected board president effective May 17, 2010.

\*\*\* Elected board vice-president effective May 17, 2010.

\*\*\*\* Appointed to fill term of resigning board member.



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**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Education  
North Mahaska Community School District  
New Sharon, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of North Mahaska Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 and we audited the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 30, 2010

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2010. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The General Fund June 30, 2010 balance decreased to \$144,662 from the June 30, 2009 fund balance of \$395,279. The decrease resulted from anticipated overspending plus large cuts in funding that were not anticipated, including a 10% across the board state cut and an error in special education reporting that the state was unwilling to correct. Authority was returned for the special education error, but not the cash.
- The District's tax levy was raised from \$12.57 to \$13.98 in order to recover from the cuts. However, the tax levy remained low compared to many districts in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. In addition, the debt was refinanced for a savings of over \$60,000 to the district. Additional state cuts and decreasing enrollment will require maintaining the tax rate in future years.
- Special education posted a negative balance for 2009-2010 due to a lower count and additional costs of identified students. A cash reserve was levied to make up the negative balance as well as the state reporting error. The total amount of this cash reserve levy was \$271,500 to be collected in the 2010-11 school year.
- The district experienced an enrollment decrease of 10.4 students from the previous year. With 2% allowable growth, the district utilized the budget guarantee for 2009-10 and will use the guarantee again for 2010-11.
- The capital project funds were used in the construction of a new preschool building in 2007-08 and 2008-09. The building was occupied in January of 2009. This has depleted the SILO funds, and they are being recovered during the 2009-10 and 2010-11 school years.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

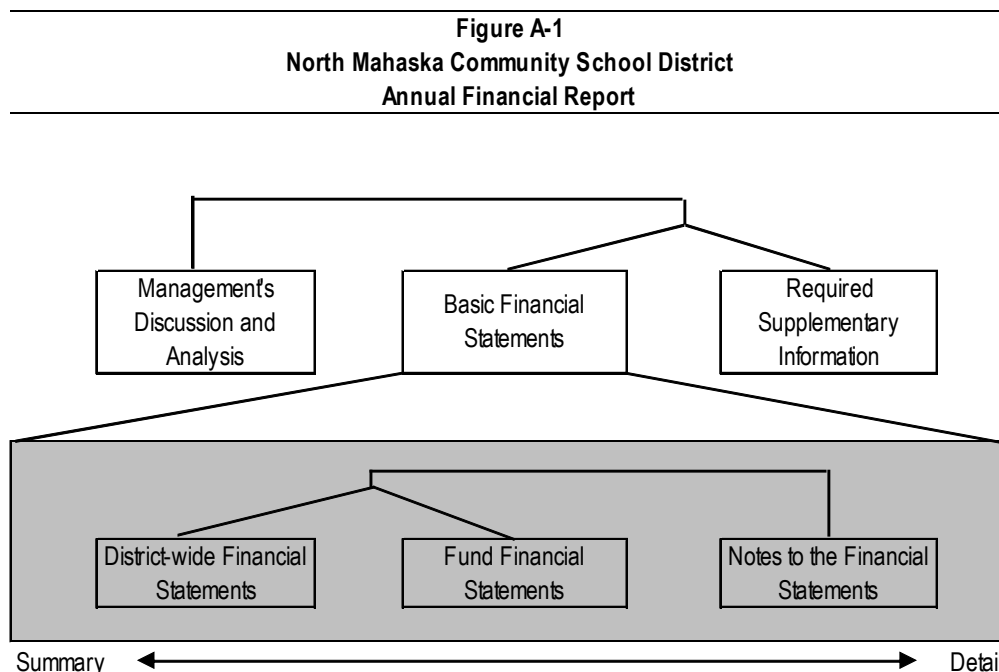


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required Financial Statements	> Statement of net assets > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of net assets > Statement of revenues, expenses and changes in fund net assets > Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

### **District-Wide Financial Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the medical reimbursement fund.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Management's Discussion and Analysis**  
**North Mahaska Community School District**  
**For the year ending June 30, 2010**

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 4,244,662	3,722,210	100,520	72,845	4,345,182	3,795,055	14.5%
Capital assets	5,420,840	5,626,083	7,817	15,043	5,428,657	5,641,126	-3.8%
Total assets	9,665,502	9,348,293	108,337	87,888	9,773,839	9,436,181	3.6%
Long-term liabilities	1,424,592	1,560,000	1,973	-	1,426,565	1,560,000	-8.6%
Other liabilities	2,846,835	2,413,188	1,338	7,268	2,848,173	2,420,456	17.7%
Total liabilities	4,271,427	3,973,188	3,311	7,268	4,274,738	3,980,456	7.4%
Net assets:							
Invested in capital assets, net of related debt	4,170,840	4,066,083	7,817	15,043	4,178,657	4,081,126	2.4%
Restricted	1,258,885	935,025	-	-	1,258,885	935,025	34.6%
Unrestricted	(35,650)	373,997	97,209	65,577	61,559	439,574	-86.0%
Total net assets	\$ 5,394,075	5,375,105	105,026	80,620	5,499,101	5,455,725	0.8%

**Management's Discussion and Analysis**  
**North Mahaska Community School District**  
**For the year ending June 30, 2010**

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 598,552	483,699	118,698	121,410	717,250	605,109	18.5%
Operating grants, contributions and restricted interest	1,198,729	910,854	129,457	111,788	1,328,186	1,022,642	29.9%
General revenues:							
Property tax	2,159,156	1,900,161	-	-	2,159,156	1,900,161	13.6%
Local option sales and service tax	457,475	501,549	-	-	457,475	501,549	-8.8%
Unrestricted state grants	1,528,258	1,857,619	-	-	1,528,258	1,857,619	-17.7%
Unrestricted investment earnings	1,828	18,280	41	80	1,869	18,360	-89.8%
Other	54,045	435,488	-	-	54,045	435,488	-87.6%
Total revenues	5,998,043	6,107,650	248,196	233,278	6,246,239	6,340,928	-1.5%
Program expenses:							
Governmental activities:							
Instruction	3,951,011	3,771,964	-	-	3,951,011	3,771,964	4.7%
Support services	1,547,803	1,507,674	-	-	1,547,803	1,507,674	2.7%
Non-instructional programs	8,115	4,500	223,790	239,910	231,905	244,410	-5.1%
Other expenses	472,144	427,085	-	-	472,144	427,085	10.6%
Total expenses	5,979,073	5,711,223	223,790	239,910	6,202,863	5,951,133	4.2%
Change in net assets	\$ 18,970	396,427	24,406	(6,632)	43,376	389,795	-88.9%

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	\$ 3,951	3,772	4.7%	2,379	2,592	-8.2%
Support services	1,548	1,508	2.7%	1,537	1,493	2.9%
Non-instructional programs	8	4	100.0%	8	4	100.0%
Other expenses	472	427	10.5%	258	227	13.7%
Totals	\$ 5,979	5,711	4.7%	4,182	4,316	-3.1%

**Governmental Activities**

Revenues for governmental activities were \$5,998,043 and expenses were \$5,979,073. The District saw an increase in total net assets of \$18,970. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, maintenance of positive open enrollment revenues, and the collection of local option sales and service tax monies. It was not as high as past years due to the cuts in funding.

### **Business Type Activities**

Revenues for business type activities were \$248,196 and expenses were \$223,790. Net assets increased \$24,406 from \$80,620 to \$105,026. The increase was due primarily to the delay in a transfer of funds to the general fund until after June 30. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income. The District voted to increase meal prices for the 2010-11 school year to cover the rising expenses in the School Nutrition Fund.

### **Individual Fund Analysis**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,357,621 which is \$36,604 more than the balance of \$1,321,017 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2010, compared with where we were on June 30, 2009. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Fund Highlights**

### **General Operating Fund**

In the General Fund, we had revenues and other financing sources of \$4,822,736. We had expenditures and other financing uses of \$5,073,353. Therefore, we ended the year \$250,617 in the red. We started the year with a balance of \$395,279, so we ended the year with a balance of \$144,662. The decrease was due predominantly to the special education error cited earlier in this report and the state 10% cut.

### **Management Fund**

In the Management Fund, we expended \$134,398 and had revenues of \$84,327 meaning we spent \$50,071 more than we received. Because we started the year with \$101,773, we ended the year with a balance of \$51,702. Approximately \$176,000 will be added to this fund through the Management Levy passed for the 2010-11 budget. This is an increase from past years because the board initiated an early retirement program and experienced more unemployment claims during 2009-10. The fund is now used for the early retirement program, insurance premiums and unemployment claims. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments.

### **Physical Plant and Equipment Levy (PPEL)**

In PPEL we expended \$7,000 and received \$57,591 meaning we were \$50,591 in the black. Since we started the year with \$39,229, we finished with a balance of \$89,820. A \$7,000 used bus was the only purchase made in 2009-10. We will continue to use PPEL to purchase school buses with one planned for the 2010-11 fiscal year.

### **Capital Projects**

We started the year with a balance of \$491,162 in all capital projects funds. We have expended \$251,179 primarily on debt service. We have received \$476,607 during the past year. The balance is now \$716,590 (an increase of \$225,428). The increase is primarily due to lower spending to make up for previous expenditures for the preschool. This fund balance, which decreased sharply as expenditures were made for the new day care / preschool facility in the 2008-09 fiscal year, will continue to build back up during the 2010-11 fiscal year, however, we will use a larger amount to pay off debt service in order to lower property taxes.

## Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$67,950. At the end of June, it was \$123,106. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black. There were also some additional project expenditures that brought down the final balance in the previous year. This difference corrected itself this year which is why there appeared to be a large increase when in fact the fund has been steady.

## Proprietary Fund Highlights

### Nutrition Fund

The nutrition fund started the year with a balance of \$80,620. Revenues for the year totaled \$248,196 while expenditures totaled \$223,790 leaving a balance of \$105,026 - a difference of \$24,406 in the black. The increase was due primarily to the delay in a transfer of funds to the general fund until after June 30. This account has been doing well and supporting itself. Prices were increased for the 2010-11 school year due to increased wages and food costs for new nutritional standards.

### Budgetary Highlights

The district's receipts were considerably less than budgeted due to the state cut.

Total expenditures were less than budgeted, due primarily to the District budget for the General Fund and cut backs because of the 10% cut. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

### Capital Assets

On June 30, 2010, the District had invested \$5,428,657, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$240,947.

The original cost of the District's capital assets was \$8,677,309. Of this amount \$169,413 was in the Proprietary, School Lunch Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 95	95	-	-	95	95	0.0%
Buildings	4,724	4,862	-	-	4,724	4,862	-2.8%
Improvements other than buildings	359	366	-	-	359	366	-1.9%
Furniture and equipment	243	303	8	15	251	318	-21.1%
Totals	\$ 5,421	5,626	8	15	5,429	5,641	-3.8%

## Long-Term Debt

On June 30, 2010, the District had \$1,250,000 in general obligation bonds. This represents a decrease of approximately 16% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements. Refinancing of the district bonds resulted in a savings of over \$60,000 for the life of the bonds.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 1,250	1,560	-19.9%
Early retirement	125	-	-
Compensated absences	16	-	-
Other postemployment benefits	34	-	-
Totals	\$ 1,425	1,560	-8.7%

## Factors Bearing on the District's Future

The district remains in sound financial condition at this point. The one cent option sales tax (SILO) will continue to be a big help for many projects. The general fund status experienced a huge decrease due to the special education error and the 10% cut. Decreasing enrollment, state economic conditions, and future state cuts will further deplete the general fund forcing cutbacks in future years. The cost of insurance was higher than previous years, and future projections appear to be higher. All of these factors have put the district in a much tighter budgeting environment than it has experienced for several years. With a further decrease in enrollment and a poor economy, some of the factors enjoyed by the district in the past will not be present in the near future. This will require a combination of cuts in staff and other expenditures and finding additional funding.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria Bartlett, Board Secretary, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

## **Basic Financial Statements**

**North Mahaska Community School District**  
**Statement of Net Assets**  
**June 30, 2010**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 1,524,374	93,511	1,617,885
Receivables:			
Property tax:			
Delinquent	22,074	-	22,074
Succeeding year	2,465,715	-	2,465,715
Accounts	32,940	-	32,940
Due from other governments	192,852	-	192,852
Inventories	-	7,009	7,009
Bond issuance costs	6,707	-	6,707
Capital assets, net of accumulated depreciation	5,420,840	7,817	5,428,657
<b>Total assets</b>	<b>9,665,502</b>	<b>108,337</b>	<b>9,773,839</b>
<b>Liabilities</b>			
Accounts payable	278,551	1,338	279,889
Salaries and benefits payable	20,263	-	20,263
Due to other governments	34,114	-	34,114
Accrued interest payable	4,539	-	4,539
Unearned revenue:			
Succeeding year property tax	2,465,715	-	2,465,715
Other	31,691	-	31,691
Long-term liabilities:			
Portion due within one year:			
Early retirement	50,000	-	50,000
General obligation bonds payable	365,000	-	365,000
Compensated absences	15,565	-	15,565
Portion due after one year:			
Early retirement	75,000	-	75,000
Bond premium	11,962	-	11,962
General obligation bonds payable	885,000	-	885,000
Net OPEB liability	34,027	1,973	36,000
<b>Total liabilities</b>	<b>4,271,427</b>	<b>3,311</b>	<b>4,274,738</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,170,840	7,817	4,178,657
Restricted for:			
Management levy	51,702	-	51,702
Physical plant and equipment levy	89,820	-	89,820
Debt service	227,202	-	227,202
Capital projects	716,590	-	716,590
Other special revenue purposes	123,106	-	123,106
State grants	50,465	-	50,465
Unrestricted	(35,650)	97,209	61,559
<b>Total net assets</b>	<b>\$ 5,394,075</b>	<b>105,026</b>	<b>5,499,101</b>

See notes to financial statements.

**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 2,660,889	225,165	628,106	(1,807,618)	-	(1,807,618)
Special	648,390	15,670	335,203	(297,517)	-	(297,517)
Other	641,732	357,717	10,316	(273,699)	-	(273,699)
	<u>3,951,011</u>	<u>598,552</u>	<u>973,625</u>	<u>(2,378,834)</u>	<u>-</u>	<u>(2,378,834)</u>
Support Service:						
Student	70,696	-	-	(70,696)	-	(70,696)
Instructional staff	201,890	-	-	(201,890)	-	(201,890)
Administration	555,991	-	-	(555,991)	-	(555,991)
Operating and maintenance of plant	393,860	-	-	(393,860)	-	(393,860)
Transportation	325,366	-	11,121	(314,245)	-	(314,245)
	<u>1,547,803</u>	<u>-</u>	<u>11,121</u>	<u>(1,536,682)</u>	<u>-</u>	<u>(1,536,682)</u>
Non-instructional programs	<u>8,115</u>	<u>-</u>	<u>-</u>	<u>(8,115)</u>	<u>-</u>	<u>(8,115)</u>
Other expenditures:						
Facilities acquisition	30,176	-	-	(30,176)	-	(30,176)
Long-term debt interest	81,850	-	-	(81,850)	-	(81,850)
AEA flowthrough	213,983	-	213,983	-	-	-
Depreciation (unallocated)*	146,135	-	-	(146,135)	-	(146,135)
	<u>472,144</u>	<u>-</u>	<u>213,983</u>	<u>(258,161)</u>	<u>-</u>	<u>(258,161)</u>
Total governmental activities	<u>5,979,073</u>	<u>598,552</u>	<u>1,198,729</u>	<u>(4,181,792)</u>	<u>-</u>	<u>(4,181,792)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	223,790	118,698	129,457	-	24,365	24,365
	<u>223,790</u>	<u>118,698</u>	<u>129,457</u>	<u>-</u>	<u>24,365</u>	<u>24,365</u>
Total primary government	<u>\$ 6,202,863</u>	<u>717,250</u>	<u>1,328,186</u>	<u>(4,181,792)</u>	<u>24,365</u>	<u>(4,157,427)</u>

**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,202,863	717,250	1,328,186	(4,181,792)	24,365	(4,157,427)
General Revenues:						
Property tax levied for:						
General purposes				1,903,079	-	1,903,079
Debt service				198,582	-	198,582
Capital outlay				57,495	-	57,495
Statewide sales and services tax				457,475	-	457,475
Unrestricted state grants				1,528,258	-	1,528,258
Unrestricted investment earnings				1,828	41	1,869
Other				54,045	-	54,045
Total general revenues				4,200,762	41	4,200,803
Change in net assets				18,970	24,406	43,376
Net assets beginning of year				5,375,105	80,620	5,455,725
Net assets end of year				\$ 5,394,075	105,026	5,499,101

\* This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

## Exhibit C

**North Mahaska Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments:					
Other	\$ 357,398	229,786	623,856	313,334	1,524,374
Receivables:					
Property tax:					
Current year delinquent	18,691	2,030	-	1,353	22,074
Succeeding year	2,231,203	-	-	234,512	2,465,715
Accounts	32,940	-	-	-	32,940
Due from other governments	93,944	-	98,908	-	192,852
<b>Total assets</b>	<b>\$ 2,734,176</b>	<b>231,816</b>	<b>722,764</b>	<b>549,199</b>	<b>4,237,955</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 272,243	75	6,174	59	278,551
Salaries and benefits payable	20,263	-	-	-	20,263
Due to other governments	34,114	-	-	-	34,114
Early retirement payable	-	-	-	50,000	50,000
Deferred revenue:					
Succeeding year property tax	2,231,203	-	-	234,512	2,465,715
Other	31,691	-	-	-	31,691
Total liabilities	<b>\$ 2,589,514</b>	<b>75</b>	<b>6,174</b>	<b>284,571</b>	<b>2,880,334</b>
Fund balances:					
Reserved for:					
State grants	\$ 50,465	-	-	-	50,465
Debt service	-	231,741	-	-	231,741
Unreserved:					
Undesignated	94,197	-	716,590	264,628	1,075,415
Total fund balances	<b>144,662</b>	<b>231,741</b>	<b>716,590</b>	<b>264,628</b>	<b>1,357,621</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,734,176</b>	<b>231,816</b>	<b>722,764</b>	<b>549,199</b>	<b>4,237,955</b>

See notes to financial statements.

Exhibit D

**North Mahaska Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2010**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 1,357,621</b>
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***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,420,840
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,539)
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Long-term liabilities, including bonds payable, bond premiums and issuance costs, early retirement, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,379,847)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 5,394,075</u></b>
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See notes to financial statements.

**North Mahaska Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2010**

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,828,254	198,582	457,475	132,320	2,616,631
Tuition	214,043	-	-	-	214,043
Other	52,593	308	19,132	367,335	439,368
Intermediate sources	7,201	-	-	-	7,201
State sources	2,257,661	93	-	62	2,257,816
Federal sources	462,984	-	-	-	462,984
Total revenues	4,822,736	198,983	476,607	499,717	5,998,043
Expenditures:					
Current:					
Instruction:					
Regular	2,496,276	-	-	60,100	2,556,376
Special	644,938	-	-	-	644,938
Other	327,194	-	-	304,425	631,619
	3,468,408	-	-	364,525	3,832,933
Support services:					
Student	69,510	-	-	200	69,710
Instructional staff	200,554	-	-	200	200,754
Administration	533,115	-	-	10,210	543,325
Operation and maintenance of plant	343,699	-	-	38,741	382,440
Transportation	242,302	-	-	23,832	266,134
	1,389,180	-	-	73,183	1,462,363
Non-instructional programs	-	-	-	8,115	8,115
Other expenditures:					
Facilities acquisition	-	-	49,994	-	49,994
Long-term debt:					
Principal	-	330,000	-	-	330,000
Bond issuance costs	-	7,825	-	-	7,825
Interest and fiscal charges	-	90,182	-	-	90,182
AEA flowthrough	213,983	-	-	-	213,983
	213,983	428,007	49,994	-	691,984
Total expenditures	5,071,571	428,007	49,994	445,823	5,995,395
Excess (deficiency) of revenues over (under) expenditures	(248,835)	(229,024)	426,613	53,894	2,648
Other financing sources (uses):					
General obligations refunding bonds issued	-	1,250,000	-	-	1,250,000
Premium on issuance of bonds	-	13,956	-	-	13,956
Payment to refunded bond escrow agent	-	(1,230,000)	-	-	(1,230,000)
Operating transfers in (out)	(1,782)	201,185	(201,185)	1,782	-
Total other financing sources (uses)	(1,782)	235,141	(201,185)	1,782	33,956
Net change in fund balances	(250,617)	6,117	225,428	55,676	36,604
Fund balances beginning of year	395,279	225,624	491,162	208,952	1,321,017
Fund balances end of year	\$ 144,662	231,741	716,590	264,628	1,357,621

See notes to financial statements.

**North Mahaska Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2010**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 36,604**

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 28,478	
Depreciation expense	(233,721)	(205,243)

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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities. Current year items are as follows:

Proceeds from general obligation refunding bonds Issued	(1,250,000)	
Payments to refunded bond escrow agent	1,560,000	
Premiums on refunding general obligation refunding bonds issued	(13,956)	
Bond issuance costs	7,825	
Amortization of bond premiums	1,994	
Amortization of bond issuance costs	(1,118)	304,745

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,456

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows.

Early retirement	(75,000)	
Compensated absences	(15,565)	
Other postemployment benefits	(34,027)	(124,592)

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**Change in net assets of governmental activities (Exhibit B)** **\$ 18,970**

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See notes to financial statements.

Exhibit G

**North Mahaska Community School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010**

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 93,511
Inventories	7,009
Total current assets	<u>100,520</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	169,413
Accumulated depreciation	<u>(161,596)</u>
Total non-current assets	<u>7,817</u>
<b>Total assets</b>	<u><u>108,337</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,338
Net OPEB liability	<u>1,973</u>
<b>Total current liabilities</b>	<u>3,311</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,817
Unrestricted	<u>97,209</u>
<b>Total net assets</b>	<u><u>\$ 105,026</u></u>

See notes to financial statements.

Exhibit H

**North Mahaska Community School District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 118,698
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Depreciation	7,226
Other	216,564
Total operating expenses	223,790
Operating loss	(105,092)
Non-operating revenue:	
Local sources	41
State sources	2,818
Federal sources	126,639
Total non-operating revenue	129,498
Change in net assets	24,406
Net assets beginning of year	80,620
Net assets end of year	\$ 105,026

See notes to financial statements.

## Exhibit I

**North Mahaska Community School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended June 30, 2010**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 118,698
Cash payments to employees for services	(91,492)
Cash payments to suppliers for goods or services	(109,533)
Net cash used by operating activities	<u>(82,327)</u>
Cash flows from non-capital financing activities:	
State grants received	2,818
Federal grants received	106,482
Net cash provided by non-capital financing activities	<u>109,300</u>
Cash flows from investing activities:	
Interest on investments	<u>41</u>
Net increase in cash and cash equivalents	27,014
Cash and cash equivalents at beginning of year	<u>66,497</u>
Cash and cash equivalents at end of year	<u><u>\$ 93,511</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (105,092)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,157
Depreciation	7,226
(Increase) in inventories	(661)
(Decrease) in accounts payable	(5,930)
Increase in other postemployment benefits	1,973
Net cash used by operating activities	<u><u>\$ (82,327)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 93,511
Cash and cash equivalents at year end	<u><u>\$ 93,511</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2010, the District received federal commodities valued at \$20,157.

See notes to financial statements.

Exhibit J

**North Mahaska Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 288,559	2,965
<b>Total assets</b>	288,559	2,965
<b>Liabilities</b>		
Accounts payable	-	2,965
<b>Total liabilities</b>	-	2,965
<b>Net assets</b>		
Reserved for scholarships	288,559	-
<b>Total net assets</b>	\$ 288,559	-

See notes to financial statements.

Exhibit K

**North Mahaska Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2010**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 3,450
Interest income	16,809
Total additions	<u>20,259</u>
Deductions:	
Support services:	
Scholarships awarded	<u>12,450</u>
Change in net assets	7,809
Net assets beginning of year	<u>280,750</u>
Net assets end of year	<u><u>\$ 288,559</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Physical Plant and Equipment Levy (PEEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds focus on net assets and changes in net assets. The District's fiduciary funds include the following:

Private Purpose Trust Fund: This fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures exceeded the amount budgeted in the instruction functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$1,266,464

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 201,185
Student activity	General	1,782
		<u>\$ 202,967</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Total capital assets not being depreciated	95,250	-	-	95,250
Capital assets being depreciated:				
Buildings	6,536,466	-	-	6,536,466
Improvements other than buildings	877,564	19,818	-	897,382
Furniture and equipment	970,138	8,660	-	978,798
Total capital assets being depreciated	8,384,168	28,478	-	8,412,646
Less accumulated depreciation for:				
Buildings	1,674,822	138,374	-	1,813,196
Improvements other than buildings	511,715	26,470	-	538,185
Furniture and equipment	666,798	68,877	-	735,675
Total accumulated depreciation	2,853,335	233,721	-	3,087,056
Total capital assets being depreciated, net	5,530,833	(205,243)	-	5,325,590
Governmental activities capital assets, net	\$ 5,626,083	(205,243)	-	5,420,840
<b>Business type activities:</b>				
Furniture and equipment	\$ 169,413	-	-	169,413
Less accumulated depreciation	154,370	7,226	-	161,596
Business type activities capital assets, net	\$ 15,043	(7,226)	-	7,817

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular \$ 15,317

Other 10,113

Support services:

Instructional staff 150

Administration 597

Operation and maintenance of plant 5,136

Transportation 56,273

87,586

Unallocated depreciation 146,135

Total governmental activities depreciation expense \$ 233,721

Business type activities:

Food services \$ 7,226

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,560,000	1,250,000	1,560,000	1,250,000	365,000
Early retirement	-	125,000	-	125,000	50,000
Compensated absences	-	15,565	-	15,565	15,565
Net OPEB liability	-	34,027	-	34,027	-
Total	\$ 1,560,000	1,424,592	1,560,000	1,424,592	430,565
Business type activities:					
Net OPEB liability	\$ -	1,973	-	1,973	-

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of April 27, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2011	2.00%	\$ 365,000	26,939	391,939
2012	2.00%	365,000	19,342	384,342
2013	2.00%	105,000	12,043	117,043
2014	2.00%	100,000	9,942	109,942
2015	2.15%	110,000	7,943	117,943
2016	2.55%	105,000	5,577	110,577
2017	2.90%	100,000	2,900	102,900
Total		\$ 1,250,000	84,686	1,334,686

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$214,082, \$203,265, and \$171,403, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 71 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	83,000
Contributions made		(47,000)
Increase in net OPEB obligation		36,000
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	36,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$47,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 83,000	56.63%	36,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$615,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$615,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,200,000, and the ratio of the UAAL to covered payroll was 19.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$213,983 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Required Supplementary Information**

**North Mahaska Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2010**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,270,042	118,739	3,388,781	3,448,665	(59,884)
Intermediate sources	7,201	-	7,201	-	7,201
State sources	2,257,816	2,818	2,260,634	2,753,145	(492,511)
Federal sources	462,984	126,639	589,623	360,000	229,623
Total revenues	5,998,043	248,196	6,246,239	6,561,810	(315,571)
Expenditures:					
Instruction	3,832,933	-	3,832,933	3,820,000	(12,933)
Support services	1,462,363	-	1,462,363	1,694,115	231,752
Non-instructional programs	8,115	223,790	231,905	310,000	78,095
Other expenditures	691,984	-	691,984	717,061	25,077
Total expenditures	5,995,395	223,790	6,219,185	6,541,176	321,991
Excess of revenues over expenditures	2,648	24,406	27,054	20,634	6,420
Other financing sources, net	33,956	-	33,956	-	33,956
Excess of revenues and other financing sources over expenditures	36,604	24,406	61,010	20,634	40,376
Balances beginning of year	1,321,017	80,620	1,401,637	1,606,599	(204,962)
Balances end of year	\$ 1,357,621	105,026	1,462,647	1,627,233	(164,586)

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2010**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the instruction function exceeded the amount budgeted.

**North Mahaska Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 615,000	\$ 615,000	0.0%	\$ 3,200,000	19.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## **Other Supplementary Information**

## Schedule 1

**North Mahaska Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2010**

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and pooled investments	\$ 100,996	123,106	89,232	313,334
Receivables:				
Property tax:				
Current year delinquent	765	-	588	1,353
Succeeding year	176,301	-	58,211	234,512
<b>Total assets</b>	<b>\$ 278,062</b>	<b>123,106</b>	<b>148,031</b>	<b>549,199</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 59	-	-	59
Early retirement payable	50,000	-	-	50,000
Deferred revenue:				
Succeeding year property tax	176,301	-	58,211	234,512
Total liabilities	226,360	-	58,211	284,571
Fund balances:				
Unreserved, undesignated fund balance	51,702	123,106	89,820	264,628
<b>Total liabilities and fund balances</b>	<b>\$ 278,062</b>	<b>123,106</b>	<b>148,031</b>	<b>549,199</b>

See accompanying independent auditor's report.

## Schedule 2

**North Mahaska Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2010**

	Special Revenue Funds			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 74,825	-	57,495	132,320
Other	9,467	357,799	69	367,335
State sources	35	-	27	62
Total revenues	84,327	357,799	57,591	499,717
Expenditures:				
Current:				
Instruction:				
Regular instruction	60,100	-	-	60,100
Other instruction	-	304,425	-	304,425
Support Services:				
Student services	200	-	-	200
Instructional staff services	200	-	-	200
Administration services	10,210	-	-	10,210
Operation and maintenance of plant services	38,741	-	-	38,741
Transportation services	16,832	-	7,000	23,832
Non-instructional program	8,115	-	-	8,115
Total expenditures	134,398	304,425	7,000	445,823
Excess (deficiency) of revenues over (under) expenditures	(50,071)	53,374	50,591	53,894
Other financing sources:				
Operating transfers in(out)	-	1,782	-	1,782
Net change in fund balances	(50,071)	55,156	50,591	55,676
Fund balance beginning of year	101,773	67,950	39,229	208,952
Fund balance end of year	\$ 51,702	123,106	89,820	264,628

See accompanying independent auditor's report.

## Schedule 3

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2010**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Sports Physicals	\$ -	1,815	750	1,065
Drama - Plays	396	-	-	396
School Musical	-	864	710	154
Speech	956	-	82	874
Music Resale	(274)	1,985	1,711	-
Band Uniform	2,114	848	976	1,986
Vocal	1,429	526	217	1,738
Flags	343	400	522	221
Instrumental	1,027	2,384	2,938	473
Pop	7,094	2,585	3,076	6,603
District Football	942	-	50	892
Change	376	-	-	376
Athletic Resale	144	1,045	-	1,189
FB Cheerleaders	359	3,121	2,692	788
Lock	69	-	69	-
Baseball Concessions	5,966	6,612	6,097	6,481
Softball Concessions	3,214	4,521	4,710	3,025
Student Trainers	72	220	220	72
BB Cheerleaders	679	60	634	105
Athletic Misc	17,133	12,609	25,720	4,022
WR Cheerleaders	462	-	-	462
Softball	-	848	262	586
Dance Team	778	5,104	4,535	1,347
Boys Basketball	1,214	4,870	4,173	1,911
Boys Basketball - Coach	240	846	749	337
Football - Coach	211	1,295	555	951
Football	1,561	12,676	8,514	5,723
Baseball	(2,694)	7,438	4,274	470
Boys Track	(1,297)	2,026	729	-
Boys Track - Coach	539	300	241	598
Boys Golf	(255)	1,055	800	-
G/B Golf - Coach	230	-	-	230
Boys Wrestling	(459)	751	292	-
Wrestling - Coach	(191)	191	-	-
Girls Basketball	2,033	12,114	8,568	5,579
Girls Volleyball	(4)	4,340	4,248	88
Volleyball - Coach	1,798	2,555	1,773	2,580
Girls Basketball - Coach	484	300	536	248
Softball	(2,255)	7,092	4,837	-
Girls Track	(1,780)	3,858	2,078	-
Girls Track - Coach	(133)	1,014	502	379
Music Boosters	-	10,524	3,387	7,137
Arts and Crafts	-	19,865	14,201	5,664
Mat Club	-	9,581	6,111	3,470
High School Fundraiser	1,780	270	-	2,050
Elementary Fundraiser	1,154	720	688	1,186
Interest	7,415	83	923	6,575

## Schedule 3

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2010**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Prom Party	1,217	8,426	8,735	908
Annual	5,842	8,427	9,195	5,074
National Honor Society	785	1,085	1,332	538
Spanish Club - Trip	16	624	131	509
FFA - Carleton Meinders Memorial	-	2,055	-	2,055
FFA	2,273	31,765	33,707	331
FFA Foundation - Scholarship	543	1,787	925	1,405
FFA - Milk	(765)	3,046	2,281	-
FFA - Farm	9,620	17,759	21,242	6,137
Greenhouse	(18,680)	35,442	16,762	-
Band Miscellaneous	-	3,522	675	2,847
Archery Club	-	3,949	2,765	1,184
Band Fundraiser	-	2,852	2,852	-
Trophy Case	-	4,125	4,125	-
Champion Sign	-	1,065	1,065	-
School Fund - Concessions	1,807	27,388	24,562	4,633
Student Council	1,363	1,019	1,063	1,319
Class of 2013	405	215	-	620
Elementary Basketball	664	-	664	-
Outdoor Classroom	1,337	40	849	528
Elementary Miscellaneous	3,432	19,627	13,326	9,733
Class of 2014	185	205	-	390
Rocket Team	534	-	452	82
Class of 2015	-	200	-	200
Class of 2009	65	-	65	-
NM Clay Target Shooters	-	3,880	2,078	1,802
Class of 2010	3,162	18,677	21,747	92
Class of 2011	690	12,855	9,677	3,868
Class of 2012	585	235	-	820
Totals	\$ 67,950	359,581	304,425	123,106

See accompanying independent auditor's report.

## Schedule 4

**North Mahaska Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2010**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 1,800	24,602	23,437	2,965
<b>Total assets</b>	<b>\$ 1,800</b>	<b>24,602</b>	<b>23,437</b>	<b>2,965</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,800	24,602	23,437	2,965
<b>Total liabilities</b>	<b>\$ 1,800</b>	<b>24,602</b>	<b>23,437</b>	<b>2,965</b>

See accompanying independent auditor's report.

## Schedule 5

**North Mahaska Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Six Years**

	Modified Accrual Basis					
	2010	2009	2008	2007	2006	2005
Revenues:						
Local sources:						
Local tax	\$ 2,616,631	2,401,710	2,307,783	2,289,190	2,185,988	2,246,991
Tuition	214,043	218,320	244,659	250,820	236,039	152,012
Other	439,368	725,426	394,722	422,997	360,951	334,615
Intermediate sources	7,201	-	-	-	-	-
State sources	2,257,816	2,575,799	2,621,155	2,487,339	2,306,029	2,136,469
Federal sources	462,984	193,662	156,835	157,417	169,241	182,276
Total	<u>\$ 5,998,043</u>	<u>6,114,917</u>	<u>5,725,154</u>	<u>5,607,763</u>	<u>5,258,248</u>	<u>5,052,363</u>
Expenditures:						
Instruction:						
Regular	\$ 2,556,376	2,537,679	3,351,499	3,145,711	3,066,755	3,017,607
Special	644,938	632,572	N/A	N/A	N/A	N/A
Other	631,619	590,060	N/A	N/A	N/A	N/A
Support services:						
Student	69,710	82,166	127,220	113,123	106,464	105,674
Instructional staff	200,754	207,076	214,305	190,871	144,781	45,525
Administration	543,325	526,528	504,869	515,313	476,634	435,102
Operation and maintenance of plant	382,440	397,334	329,219	333,837	382,664	313,864
Transportation	266,134	316,929	324,807	259,081	245,324	254,032
Non-instructional programs	8,115	4,500	4,500	4,500	4,000	6,575
Other expenditures:						
Facilities acquisition	49,994	814,603	100,541	84,957	350,575	104,947
Long-term debt:						
Principal	330,000	320,000	305,000	295,000	285,000	285,000
Interest and other charges	98,007	82,764	95,375	106,873	117,012	126,498
AEA flowthrough	213,983	200,559	188,083	176,431	162,157	153,340
Total	<u>\$ 5,995,395</u>	<u>6,712,770</u>	<u>5,545,418</u>	<u>5,225,697</u>	<u>5,341,366</u>	<u>4,848,164</u>

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	12,732
National School Lunch Program	10.555	FY10	113,907 *
			<u>126,639</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY10	59,938
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	13,230
			<u>73,168</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>5,534</u>
Special Education - Preschool Grants	84.173	FY10	<u>1,132</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	<u>1,573</u>
Rural Education Achievement Program	84.358	FY10	<u>37,397</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>42,217</u>
Grants for State Assessments and Related Activities	84.369	FY10	<u>3,523</u>
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	<u>221,931</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY10	<u>28,974</u>
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>47,535</u>
Total			<u><u>\$ 589,623</u></u>

\* - Includes \$20,157 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**North Mahaska Community School District**



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Mahaska Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Mahaska Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Mahaska Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit North Mahaska Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 30, 2010



**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Education of North Mahaska Community School District:

**Compliance**

We have audited the compliance of North Mahaska Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. North Mahaska Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of North Mahaska Community School District's management. Our responsibility is to express an opinion on North Mahaska Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Mahaska Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Mahaska Community School District's compliance with those requirements.

In our opinion, North Mahaska Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of North Mahaska Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered North Mahaska Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

North Mahaska Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit North Mahaska Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) North Mahaska Community School District did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-10 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**Federal Award Year: 2010**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act**  
**Federal Award Year: 2010**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

- III-A-10 Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, exceeded the certified budget amount in the instruction functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- IV-B-10 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.

**North Mahaska Community School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.
- Recommendation – The certified enrollment data should be corrected.
- Response – We will attempt to correct certified enrollment errors in the future.
- Conclusion – Response accepted.
- IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		457,475
Expenditures/transfers out		
School infrastructure:		
Facilities acquisition and construction	49,994	
Debt service for school infrastructure:		
General obligation debt	201,185	251,179
		<hr/>
Ending balance	\$	<u>206,296</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.62307	\$ 457,475